

MINING AMENDMENT REGULATIONS (NO. 2) 2017 — DISALLOWANCE

Motion

HON JACQUI BOYDELL (Mining and Pastoral — Deputy Leader of the National Party) [8.15 pm]:
I move —

That the Mining Amendment Regulations (No. 2) 2017 published in the *Government Gazette* on 29 September 2017 and tabled in the Legislative Council on 10 October 2017 under the Mining Act 1978, be and are hereby disallowed.

It has been a big day for the goldmining industry and one that it has been waiting on for over a month. My colleagues and I have received messages of support throughout the day from people who work in the goldmining industry, contractors who supply the goldmining industry and the people of Kalgoorlie and the wider goldfields region. Those messages have absolutely clarified to my National Party colleagues and me that the decision to disallow the regulations as proposed by the government in its budget to increase the gold royalty was the right decision by the Liberal and National Parties and the crossbench. The Nationals made it clear that we would not stand in the way of any appropriation bills. I made that clear in my speech in response to the budget. I want to put that on the record again today. That allows the government to carry out the day-to-day business of running the state.

That said, the Nationals announced our intention to move this disallowance motion today as soon as Treasurer Ben Wyatt and the Labor government announced on budget day, 7 September, that they would target the gold sector. The National Party's position on this issue, contrary to some comments that I have seen in the media, has been clear from day one. We made our position clear and we made it known. We held that position in government. Nothing has changed for us and the goldmining industry remains an extremely important industry to the people of the goldfields in particular, as well as the wider regions of the state, and even the metropolitan area where people who carry out fly in, fly out employment on mine sites, particularly in the Pilbara, live.

Call us what you like. I have heard us called “budget wreckers” and claims that we destroyed the budget while we were in government, but the Nationals' stance on increasing the gold royalty should come as absolutely no surprise to the Labor Party, the public in general or the gold sector. The National Party's position on this issue was always clear.

Several members interjected.

The ACTING PRESIDENT: Members, one speaker at a time, please.

Hon JACQUI BOYDELL: Our party has staunchly campaigned against such measures in the past, including as I said, when we were in government. In fact, I clearly remember the current Premier, Mark McGowan, get on the bandwagon with this issue in 2014. We have heard a lot about that today, but we all know it was just another political party stunt by the Labor Party. We have heard members talk about that today; we have seen advertisements that included the current Premier standing on the steps of Parliament House suggesting he supported the gold industry when in reality he did not. That became clear the day the budget was handed down. In fact, the Premier can run but, at the end of the day, he cannot hide his intentions, and they became clear on that day. I suggest that the Labor government members, Mark McGowan and Ben Wyatt, have been running and today they cannot hide from the apparent budget measure they handed down on 7 September.

The National Party is not about to do a monumental backflip on this issue as others have done. Unlike Labor, the gold sector knows it has a solid and consistent ally in the National Party. We think the McGowan government was elected under false pretences. A large number of Western Australian voters who put a “1” next to the Labor candidate's name due to the commitments the Premier made prior to the election have been betrayed by this budget, this Premier and this Treasurer. The Nationals will always use the tools at our disposal in Parliament to hold the government to account for its failure in decision-making—its lies, betrayal and broken promises—because that is simply what we think they are. There is no other way that we can describe what has happened with this budget. This disallowance motion against the cash grab for the gold sector is the first demonstration of that.

Several members interjected.

The PRESIDENT: Hon Jacqui Boydell, if you would like to continue.

Hon JACQUI BOYDELL: Thank you, Madam President. Why have we moved this disallowance motion? I want to discuss with the house and put on record some of the reasons. One of those reasons is the immediate and direct impact an increase would have on the gold sector. In 2014, when the Liberal–National government undertook a royalty review, at the national state conference that year, the National Party vowed not to support the royalty rise. We continue with this stance as a matter of principle and there are a number of reasons for that that I will cover tonight. We stood by the sector then as we continue to stand by the sector today.

Hon Jacqui Boydell; Hon Martin Aldridge; President; Hon Aaron Stonehouse; Hon Robin Scott; Hon Simon O'Brien; Hon Rick Mazza; Hon Colin Tincknell

Unlike the iron ore sector, the gold sector continues to have tight margins, lower output levels and higher production costs. This cash grab threatens the viability of many of the smaller, more marginal mines and undermines the sector's plans for future exploration. There is absolutely no doubt about that and goldminers have put that on the record from budget day until now. Without continuous investment into their operations in the industry, such as drilling and exploration, goldmines close permanently, leaving the unmined gold in the ground forever. That is not a situation that can benefit the people of Western Australia. The Treasurer's proposed tax increase on goldminers changes the entire economics of these projects and will inevitably lead to mine closures and thousands of people being put out of work. The whole state would suffer financially as a result of this short-sighted move. I am not the only one saying this. The Premier himself said this when he took an opportunistic position in 2014 to try to break the alliance of the Liberal–National Party. On 12 August 2014 in particular, he was very busy in Kalgoorlie and stated —

“Gold is often treated as the poor cousin of iron ore, oil and gas by the State Government. That's why they (Lib–Nat Govt) think they can get away with this royalty increase.”

That was a quote from Mark McGowan, the current Premier, in the *Kalgoorlie Miner* on 12 August 2014. I will read another quote in the *Kalgoorlie Miner* on that day from Mark McGowan, the current Premier. He said —

“Gold, by its nature, can often be very marginal. A lot of work, a lot of processing, a lot of employment— but, at the end of the day, costs are high and if this royalty comes in, mines will close and jobs will be lost.”

I did not say that; the current Premier of this state said that in Kalgoorlie to the people of Kalgoorlie on 12 August 2014. I agree with the Premier and I agreed with him at the time because in government we did not support the royalty increase. There is absolutely no doubt that the gold royalty hike will hit WA jobs, and therefore will affect families and communities across the state in direct contrast to what the Premier said he is trying to support—“jobs are what we are all about”. How is that the case when he has suggested he will increase the gold royalty by 50 per cent? That means jobs will be lost. I go back to my previous statement that the people who voted for Labor at the state election in March are now feeling betrayed by that comment. There is absolutely no doubt that the proposed royalty increase will also put future investment in WA at risk. A case in point is Newcrest Mining Ltd in Telfer.

Hon Alannah MacTiernan interjected.

Hon JACQUI BOYDELL: The member can try to defend her position all she likes but I can tell her that it does not resonate with the people of Western Australia. She is losing support quicker than any government has ever done.

Several members interjected.

The PRESIDENT: Order! Order, member, you might direct your comments to me and not encourage interjections and then you will not have to raise your voice.

Hon JACQUI BOYDELL: Thank you Madam President, I will do that.

I will put on record a case in point for members to consider and that is the Newcrest Telfer mine. Newcrest is spending a lot on growth to both extend Telfer's mine life past 2019 and to explore new mines. Newcrest's Telfer mine made \$8 million last year because of the low-grade gold and high cost of production. Based on its output, it is making \$21 an ounce.

Hon Darren West interjected.

Point of Order

Hon MARTIN ALDRIDGE: Madam President, you just gave a caution to Hon Jacqui Boydell to address her comments through the Chair but she continues to receive constant interjections from Hon Alannah MacTiernan, Hon Darren West and Hon Kyle McGinn without any intervention and I ask that those members remain silent while the member addresses the house.

The PRESIDENT: Order! Member, you must have better hearing than I do because in the last few minutes I have not heard any of those members interjecting. I have heard a bit of twittering but I notice that Hon Jacqui Boydell has not responded; she has been making her comments to me, so there is no point of order. Hon Jacqui Boydell can continue.

Debate Resumed

Hon JACQUI BOYDELL: Thank you, Madam President. As I said, based on the Telfer mine's output it is making \$21 per ounce. The WA government has said that the royalty increase will cost \$20 per ounce.

Hon Darren West: It is \$14.

Hon JACQUI BOYDELL: It would effectively wipe out Telfer's profit—it would be gone at that point. That would make that mine completely uneconomical for Newcrest to operate and would have a direct impact on the 1 550 employees at its mine site and many more in indirect employment providing services to that mine site would be impacted. From Newcrest alone, the WA economy stands to lose around \$4 billion in economic activity if the Telfer mine ceases to operate. Nobody wants to see that happen, let alone the people who work there. Newcrest was planning to spend \$12.5 million on exploration this financial year but if the royalty increase goes ahead, it will not be able to do that. Until today, Newcrest has been reconsidering its decisions on exploration and future mine activity.

Newcrest's Telfer mine is not the only one. An article in *The Australian Financial Review* on 5 October outlined how the royalty hike would impact on four of Australia's biggest goldminers. All of them claimed they would need to shut down mines or shift elsewhere in the wake of the royalty increase. Discussion on this disallowance motion that the house will have tonight and possibly tomorrow is in the interest of Western Australia as a whole. The article in *The Australian Financial Review* states that, in addition to Newcrest, Northern Star Resources and AngloGold Ashanti also mentioned that an increase in gold royalty would have significant impacts on their operations. I am sure that when the Treasurer put his budget together, he was not considering those drastic impacts in job losses and a loss to the state government in economic activity in the state. An article in *The West Australian* on the same day also detailed the impact this increase would have on smaller businesses, with a drilling business rethinking its decision to take on more staff as a result of the projected impact of the royalty increase on exploration. Over a couple of days last week, I met with a number of local drilling companies in Kalgoorlie employing local apprentices, and delivering the services within the goldfields region, all in the same boat, and all making decisions based on the fear of this gold royalty increase. That was impacting directly on their workforces and their service providers in Kalgoorlie. The *Kalgoorlie Miner* reported on 2 October that more WA goldmines had gone into care and maintenance in the last financial year than at any time since the gold price slump in 2013–14. I do not think that is what the government should be doing to support industries that operate in genuine faith in Western Australia.

Unlike iron ore, this is not an industry with boundless profits. It is one with tight margins and high production costs, and we have seen that evidence produced within the past month in particular. The gold industry has come together very well indeed—I congratulate it on that—to present its case to members of Parliament, yet this government thinks that the gold sector is a good target for this cash grab. I want to talk about gold versus iron ore, because this question gets asked of me. I talked about it during my contribution in reply to the budget speech, but I think it is also relevant to discuss it today. Unlike the gold sector, the iron ore sector is making boundless profits from our finite, high-grade, world-acclaimed Pilbara resources. Mark McGowan himself said in 2014 that the gold sector was treated as the poor cousin of the iron ore industry. The Treasurer continues to spin the message that everyone needs to pay their fair share, and share the pain of fiscal recovery in this state. However, a closer look at the budget reveals that it is only painful to those who are viewed as easy targets by this government, because the government is not prepared to have hardcore discussions that governments need to have. Western Australia's iron ore sector is currently raking in \$US1 billion a month in underlying earnings.

The Treasurer confirmed to an estimates hearing last month in the other place that if the royalty slug on the gold industry came to fruition, the gold sector would contribute \$400 million extra over the next four years. Some of these companies will also be hit with payroll tax increases. Meanwhile, the iron ore industry will kick in only an extra \$177 million via the payroll tax increase, but is posting billion-dollar profits off the back of the assets owned by the people of Western Australia. Gold prices have improved slightly, but the margins being generated are still well below what is being enjoyed by the iron ore sector. Iron ore mining provides much higher profit margins—we all know that—on much larger tonnages than the gold industry, and is all surface-based mining. Therefore, the mining process itself is not as expensive. There is nowhere near as much risk in operating an iron ore mine as there is in operating a goldmine.

Why would this government target gold and not iron ore? I have not heard the Premier or the Treasurer answer that question. It is a no-brainer to me. Neither the Premier nor the Treasurer are able to put on the record any discussions with the iron ore industry about paying its fair share. The government has taken the opportunity to make mums and dads pay their fair share, and it has taken the opportunity to try to make the gold industry pay its fair share, and it has also increased payroll tax. That is not everybody paying their fair share, and I would suggest that the government needs to have that discussion. The Nationals WA policy at the state election to revisit an existing fee paid by the big iron ore miners would have raised \$7.2 billion over the forward estimates. This would have eliminated the need to keep sacking public servants, and eased pressure on household fees and charges—it would not have even been a conversation the government had to have. Most importantly for the people of my electorate, royalties for regions would have been maintained.

Extract from Hansard

[COUNCIL — Tuesday, 10 October 2017]

p4214b-4225a

Hon Jacqui Boydell; Hon Martin Aldridge; President; Hon Aaron Stonehouse; Hon Robin Scott; Hon Simon O'Brien; Hon Rick Mazza; Hon Colin Tincknell

It is clear that Labor is afraid of having conversations with the big iron ore miners, because there is no reason about why that has not happened. Then again, did the government even consult the gold sector before announcing this revenue measure? I think not. For months, the standard Labor talking point was that it would not be ripping up state agreements. However, the government seems happy to make unilateral changes to conditions contained within the Mining Act. I am genuinely bemused about why that is the case. The answer can only be that Labor is afraid of having that hard conversation with the big iron ore miners. Mr Wyatt witnessed BHP and Rio Tinto's wrath during the election campaign, after the Nationals WA dared to ask a very profitable iron ore sector to pay more. I suggest that many policymakers in Australia are now nervous about those campaigns being run against them. That has been said by many political commentators. It has been said behind closed doors, and I suggest that it is also being said in the Treasurer's office. I find it particularly incredible that this government has no issue with breaking promises, unless the promise is made to the big iron ore miners, because they are the ones that have had no promises broken.

While we are talking about broken promises, Labor came to government with \$5 billion worth of extravagant election promises. Labor came to government with a promise that there would be no new taxes on Western Australians under its government. That was the mandate that it took to the election. I suggest that that mandate is in tatters. It took the Premier and the Treasurer exactly 180 days to break their apparent ironclad guarantee that there would be no new taxes. They are not my words, but the people of Western Australia put their faith in the Premier—that he was telling the truth, and he was not. The Nationals said that any new government would need a new revenue source, and we outlined a plan. No-one is disputing that there is structural deficit with the GST. The Treasurer even spoke about that today when he spoke at the rally. No-one is disputing that. Everybody was aware of the state's finances going into that election. There were no surprises there. The Labor Party knew about the state's finances and understood them. I am absolutely clear about that. It knew about the state's finances and it did not take a plan to the state election to deal with it. It had not one iota of a plan.

At what point did this government tell the people of Western Australia that it would raise the gold royalty to fund its promises? At no point whatsoever during the election campaign did it do so. The government does not have a mandate. Any rational voter could be forgiven for making the assumption that Mr McGowan would not make a monumental backflip given that he was standing on the front steps of Parliament House saying that he would not support the increase in the gold royalty because if a gold royalty comes in, mines will close and jobs will be lost. They were his words. During the election campaign, the now Premier said that his promises were affordable and achievable.

Hon Darren West interjected.

Hon Martin Aldridge: Shut up. You'll get your chance in a minute.

The PRESIDENT: Order! I do not appreciate that sort of language being used across the chamber. Members should be listening quietly to the words of Hon Jacqui Boydell, who is speaking.

Hon JACQUI BOYDELL: As I said, the Premier said during the election campaign that his promises were affordable and achievable. He said that his government would pay down debt like a household paying off a mortgage, that there would be no new taxes, no fee rises and no new levies. They were his words. The reality is that Labor's first budget is littered with broken promises. The government is increasing taxes, increasing the gold royalty and increasing water and power charges for households and businesses. That is in the Labor government's first budget.

I move to the issue of paying down debt. The government says that everyone needs to share the pain to reduce debt. That is a fair comment. The fundamental problem with this statement from the Labor Party's perspective is that these revenue measures are not about funding debt or paying down debt; they are about the \$5 billion worth of extravagant pork-barrelled election promises made during the election campaign. If this was about paying down debt, why is debt increasing to its highest ever level? I ask that question. In fact, Labor's budget will deliver the state its highest ever projected debt, eclipsing the 2017 *Pre-election Financial Projections Statement* projection by \$2.5 billion. How are we paying down debt with this budget? That is not a budget-saving measure; that is simply a measure to fund election commitments. The Labor Party's first budget has nothing to do with fiscal recovery and everything to do with funding its extravagant election commitments. That is the reality.

I move to the comments around budget wreckers. Labor will claim that we are fiscal ratbags and budget wreckers, but let us not be too quick to rewrite history. I very much remember Labor blocking key revenue measures that the former government proposed. Comments that I have heard from the Treasurer, since the rally this morning and since the Liberal Party's announcement that it will support the disallowance motion, that Labor never blocked a budget-saving measure by our government is not true. In fact, as I said, I very much remember Labor trying to block budget-saving measures by the Liberal —

Hon Jacqui Boydell; Hon Martin Aldridge; President; Hon Aaron Stonehouse; Hon Robin Scott; Hon Simon O'Brien; Hon Rick Mazza; Hon Colin Tincknell

Hon Sue Ellery: Did we block it?

Hon JACQUI BOYDELL: The Labor Party did not have the numbers to block it.

Several members interjected.

Hon JACQUI BOYDELL: Sorry! You do not have a mandate in this house.

Several members interjected.

The PRESIDENT: Order! There is one speaker on her feet and that is Hon Jacqui Boydell. Everyone else can listen and take their turn in due course.

Hon JACQUI BOYDELL: I say to the Leader of the House that the National Party alone does not hold the numbers—neither do the Greens, neither does the Labor Party, neither does the Liberal Party and neither do members of the crossbench.

Hon Sue Ellery: You know that given who had already come out and said how they were going to vote, the decision made today by the Liberal Party meant that we all knew what the numbers in the house were. So we all knew that the measure would be blocked because others had already come out in advance and indicated how they were going to vote.

Hon JACQUI BOYDELL: Members of the house had the right to do that.

Hon Sue Ellery: Of course they did, but I am saying that they did that knowing what the result would be.

Hon JACQUI BOYDELL: I go back to my statement that I very much remember the Labor Party blocking key revenue measures that the former government proposed, and I will list some of them. One revenue-saving measure was the Pilbara Port Assets (Disposal) Bill 2015—worth around \$300 billion. I recall the Treasurer saying on the front steps of Parliament House today that at the time we did not think \$400 million was enough money to consider. That is rubbish and wrong and he knows that. Another revenue-saving measure was the Perth Market Authority. We debated the sale of the authority in this house until well into the early hours of the morning. It was worth \$135.5 million. Of course, Labor made it very clear that it would oppose the sale of Western Power, which Hon Peter Collier talked about today. That was a budget-saving measure that the government now needs. It still has the opportunity to make those decisions, and that is what it needs to do when in government.

We are not standing here today as the National Party moving this disallowance motion without an alternative on the table, as I have spoken about previously. There is an alternative—\$392 million, as proposed, from the gold sector or \$7.2 billion from Rio Tinto and BHP; it is the government's choice and it should have that discussion. Unless there is an overnight solution to the GST revenue problem, which nobody thinks is forthcoming, the government still needs to balance the books—I recognise that—and pay for essential services and infrastructure projects to keep the state running. Everybody recognises that. But the government has to do it with an eye to the future of how industry in Western Australia survives.

I will move on to the fact that, as I alluded to, coming into the state election, Labor had no plan to address this issue that it blocked every day in the Parliament. We heard the comments about the fire sale of assets. The Labor Party did not support that in opposition. That work was all about recognising the state of the finances. Yes, they were tough decisions but we made them in government. Labor tells us that these revenue measures are needed to repair the government. Ben Wyatt's admission that Labor has no plan B for revenue outside of an ill-conceived cash grab from the gold sector is proof that WA voters should be very concerned about where Western Australia is heading under a Labor government.

We came to the election with a plan to assist the budget. The Nationals made repeated warnings that a new government would need to find a new revenue source due to the debilitating effects that the GST redistribution was having on the state of the budget in Western Australia. Unless people have been living on the moon, everybody was aware of that and everyone recognises how many debates we have had in this house around the GST structure needing change. We all agree on that. The fact is that we also need to make some changes within the state's budget control. Labor came to the election with \$5 billion worth of promises and no plan to fix the budget. Our proposal, which the Premier has refused to consider, was to increase an existing special lease rental fee paid by BHP and Rio Tinto. This would have raised \$7.2 billion over the forward estimates and made a substantial difference to WA's bottom line, and we would all be in agreement today. The Nationals warned the public that if the iron ore sector was not made to pay its fair share, other areas would be hit, whether it be the gold sector or royalties for regions or the everyday fees and charges by Western Australians—and hit hard they were. If the government is willing to break promises to the gold sector and the people of Western Australia as its so-called mandate tells it it can, why not make it worth its while and target the iron ore sector, because it would get a better return for its buck?

Hon Alannah MacTiernan: State agreements.

Hon Jacqui Boydell; Hon Martin Aldridge; President; Hon Aaron Stonehouse; Hon Robin Scott; Hon Simon O'Brien; Hon Rick Mazza; Hon Colin Tincknell

Hon JACQUI BOYDELL: The member can hide behind that, but make a tough decision.

In summary, the increase to the gold royalty rate, not to mention Labor's payroll hike, will cost jobs and threaten the ongoing viability of particular mines in Western Australia that contribute significantly to many regional communities. That is exceptionally important to my National Party colleagues and myself. Our position should come as no surprise, as I said at the outset of my contribution tonight. We have always stood by the sector because we know it is very different from the iron ore sector. The Labor government had no mandate to increase the gold royalty or payroll tax, because at no point did it ever suggest it was going to do it. At what point, I ask members opposite, did they announce their intentions prior to the election? I would say that at no point did they indicate any of their intentions, because they had no plan. In fact, the Labor Party came to government with a promise to the people of Western Australia that it would not introduce new taxes. This government has betrayed the people of Western Australia, and for what? It has also betrayed the gold industry. The royalty hike would raise only \$392 million from the gold sector. That is a pittance compared with Labor's \$5 billion worth of election commitments and the \$7.2 billion missed opportunity from the iron ore sector. We are not budget wreckers. Labor opposed numerous revenue measures while in opposition. We have laid out an alternative plan that this government seems unwilling to consider.

Hon Alannah MacTiernan interjected.

The PRESIDENT: Order! Hon Jacqui Boydell has the call.

Hon JACQUI BOYDELL: Thank you, Madam President. I very much appreciate the support that the gold sector has given members in sharing information about the industry and helping members ascertain the direct impact on the industry over the last month. The process probably has been longer than I hoped it would have been, but it is the great workings of this Legislative Council that allow these debates to occur and the people of Western Australia to have their voice heard in this Parliament. I thank members for the opportunity and for other members who will speak on the disallowance motion. I know that the people of Kalgoorlie and the goldfields thank them for their support.

HON AARON STONEHOUSE (South Metropolitan) [8.53 pm]: I will be brief.

Several members interjected.

The PRESIDENT: Hon Aaron Stonehouse has just started his speech and he should be allowed to be heard in silence, please.

Hon AARON STONEHOUSE: Thank you, Madam President.

Hon Alannah MacTiernan interjected.

The PRESIDENT: Member, you obviously did not hear me well. If you would let Hon Aaron Stonehouse start his speech without interruption, please.

Hon AARON STONEHOUSE: Not content with one destructive tax increase, this budget includes a drastic increase to the gold royalty rate. Until a few weeks ago, I knew very little about the gold industry; it was completely foreign to me. After seeing some of the comments made by the Premier and the Treasurer, it seems I was not the only one ignorant of how the industry functions. The argument being made for the royalty increase is that the gold price is at about \$1 650 an ounce, I believe, and the additional royalty will be an additional cost of about \$20 per ounce. An increased royalty will kick in only when the gold price is above \$1 200 an ounce. It has also been asserted that the sustaining cost for producing gold is about \$1 100 an ounce. The assertion being made by the Treasurer and Premier—one they have made even to me—is that this is only a \$20 increase on what is a \$500 per ounce margin. The problem is that few miners are that efficient. With more marginal mines opening now, their sustaining cost can be as high as \$1 400 to \$1 500 an ounce or even higher, leaving profit margins as little as \$100 or less when the gold price is as high as \$1 600 an ounce. If the gold price drops, many of these marginal mines will fall into care and maintenance. Some marginal mines are such low grade that even with the high gold price, they are still on care and maintenance. In fact, from 2015 to 2017, despite the gold price rising over that period, the number of goldmines on care and maintenance in the state increased from nine to 21. This will impact smaller miners more than anyone else. This is a fact that I think Labor is ignoring. Larger miners are more efficient due to economies of scale. When a mine can produce more, there is a proportionate saving in the cost of production. Larger miners may be able to achieve those sustaining costs closer to \$1 100 an ounce, although unlikely, but smaller miners have virtually no chance of doing that. Although larger miners may be able to absorb some of the cost of the increased royalty, there is a likelihood that smaller miners will be forced out of the industry entirely. I know of at least one company that is operating three mines in the state. One of its mines runs at a loss and is only held up by the profitability of the remaining two.

One other fact that the government has overlooked is the role profits play in the viability of the industry. The figure of \$1 100 an ounce does not include the money spent on exploration and expansion, as Hon Jacqui Boydell pointed

out. The profits of a goldmine are spent on engaging smaller drilling companies for exploration. Cutting into that profit will reduce the work of drilling companies, costing their jobs and having flow-on effects throughout the economy. Of course, it will also reduce the number of gold discoveries, again, costing jobs in the long run. When we are dealing with larger mining companies and we reduce their profit margins, we are sending a signal to their directors. Picture for a moment the scenario in which a manager of a mine in WA is on the phone to his director overseas, asking for more capital to expand a mine site to extend its life for another 10 years. The director is now wondering why he should invest capital in Western Australia when he could invest that capital in South America or Africa, where labour and in many cases energy costs are far lower. He would be looking at the increased gold royalty and the increased payroll taxes, making a very tough decision on whether it is worth their effort to continue to invest in this state. We cannot take the resource industry for granted. We are competing with other countries in a global market. If we drive up the cost of doing business in our state, investment will go elsewhere, taking with it the jobs and economic activity that comes with it. In fact, it has been estimated that this increase to gold royalty would cost about 3 000 jobs.

Hon Darren West: Is there any proof of that?

Hon AARON STONEHOUSE: That is what I have seen. If members listen to the Premier and the Treasurer's recent remarks, they say it will have no impact, which is insane. I asked the Under Treasurer whether he expected there would be any economic impact and whether he had done an impact statement. He said he had not. He said that he did not expect there to be any impact at all, which is wilfully ignorant if the government thinks that it can increase the cost of labour and decrease the profitability of gold in this state with no impact at all on the economy.

Several members interjected.

The PRESIDENT: Order, members! Hon Aaron Stonehouse, if you just direct your comments to me please.

Hon AARON STONEHOUSE: Thank you, Madam President. As I mentioned earlier, however, there seems to be a bit of a lag in the gold price and profitability of mines. As I mentioned earlier, in 2017, despite the gold price rising, the number of mines in care and maintenance increased over that time. There is a lag in the price of gold and the profitability of those mines. Although mines may be expanding at this very moment before the gold royalty increase has been implemented, that is not to say that those impacts will not be felt a few months or even a few years down the track. Again, we are competing globally with Africa and South America. The gold in WA is not worth anything to us unless we can dig it up. As clever as the Premier and the Treasurer might be, they do not know the first thing about goldmining. They do not have the human capital to operate a goldmine. We need the expertise and the capital of mining companies to mine our gold for us. Without them we cannot exploit those resources. In his budget speech, the Treasurer claimed that the increased gold royalty rate would result in around \$392 million of additional revenue across the forward estimates. What he did not tell us—it is quite interesting that this detail was missing from the budget speech—was that 60 per cent of any additional revenue raised over time by the gold royalty increase would be sent to other states through GST equalisation. Here is the Treasurer making the claim that the budget is fair and balanced while the government cuts the gold industry and sends the majority of the money raised to the eastern states. In 2014 the then Labor opposition made many of the arguments that I am making now. What I am saying is nothing new and the members of the government benches who were around then know this. When I was elected, I made the commitment that I would never vote for an increase in taxes or a reduction in liberty. Today I uphold that commitment. I support the disallowance motion.

HON ROBIN SCOTT (Mining and Pastoral) [9.01 pm]: I will be very brief. I would like to thank Hon Jacqui Boydell for her speech and also Hon Aaron Stonehouse. I have spent more than three decades in the gold industry and during that time we would occasionally win maintenance contracts on a goldmine. It meant absolutely nothing, because at the end of the contract was always written "force majeure", and that force majeure usually meant the price of gold or an increase in royalties. Every day we checked what the price of gold was and we always hoped that the government would not change anything. The National Party managed to move this disallowance motion and in doing so pipped us at the post. The main reason for that is the lack of resources that my two colleagues and I have in the One Nation party. We worked very hard on Friday trying to monitor the situation. I am quite pleased that Hon Jacqui Boydell managed to get her disallowance motion in. I do not care who got it in first, the main thing is that someone got it in. Fortunately, the royalty increase is dead and we can hopefully look forward to the funeral in the next day or so.

On Friday, 29 September, on the eve of the AFL grand final, the state government gazetted the Mining Amendment Regulations (No. 2) 2017. The key amendment to the Mining Act 1978 is the addition of regulation 86AA(5A). The royalty rate for gold metal produced after 31 December 2017 would have been 3.75 per cent of the relative value of the gold metal produced. That would have absolutely killed at least 15 per cent of the current gold mines. The questions I would have asked before that was gazetted would be the following: Who first suggested that the 2017–18 budget incorporate a 50 per cent increase in the gold royalty? Was the decision encouraged by the

Hon Jacqui Boydell; Hon Martin Aldridge; President; Hon Aaron Stonehouse; Hon Robin Scott; Hon Simon O'Brien; Hon Rick Mazza; Hon Colin Tincknell

“Mineral Royalty Rate Analysis Final Report 2015” tendered to the previous government, which recommended the introduction of tier 3 secondary treatment metallurgical processing rate of 3.75 per cent? Is it a fact that the MRRA was not adopted by the previous government for reasons including serious flaws to the report that were pointed out by the Association of Mining and Exploration Companies, the Chamber of Minerals and Energy and the Gold Industry Group? Has Treasury estimated the probable effect on the gold price of the loss of 15 per cent of Western Australian gold production? Which international commercial predators would benefit from a sudden drop in the net present value of any Western Australian goldmines? Is Treasury aware that the gold price has continuously exceeded \$1 200 since July 2009? Is Treasury aware that the all-in sustaining costs exclude large expense items, for example company tax, financing charges and cost of capital and community contributions?

I make clear that the gold royalty rate alone is sufficient reason for honourable members to be very uncomfortable about the budget. I encourage all members of this chamber to send the budget back to Legislative Assembly with a polite request that the 2.5 per cent gold royalty be unchanged. On Wednesday, 27 September, while discussing the issue of police remuneration, the Premier declared that the government had made a marginal adjustment to the gold royalty. There is nothing marginal about a 50 per cent hike. What is marginal is the profitability of major gold miners at current prices. We should not underestimate the potentially adverse consequences for the gold price, which may flow from foreshadowed significant tax reductions in the United States of America.

In the mining and pastoral area alone there are 875 WA businesses directly supported by goldmining. Approximately \$1.2 billion is spent in the electorate on wages and salaries, business purchases, community contributions and local government payments. In total 3 549 Western Australian businesses are directly supported by the gold industry and \$4.4 billion is spent on wages, salaries, community contributions and local government payments. The state government is paid \$294 million and the rest of Australia is paid \$1.2 billion in wages and salaries and \$240 million is paid to the federal government. I hope that we will come to the conclusion that this disallowance motion will encourage everyone to send this budget back to lower house.

HON SIMON O'BRIEN (South Metropolitan) [9.07 pm]: This issue of the day has attracted a great deal of attention from all members of the state Parliamentary Liberal Party. We have consulted with relevant stakeholders at considerable length and it has been a genuine consultation as we worked to establish a position on the vexed question that was placed before us with the state budget and some of these so-called budget repair functions. At length, as everyone is aware, the state Parliamentary Liberal Party has decided, unanimously I might add, that we will seek to defeat this very negative and unworthy measure that has been attempted to be foisted on Western Australia, not only on goldminers but all of Western Australia, by this Labor administration. In a moment I want to itemise the reasons that we have made those decisions because it is important to have them on the record. Members might find that some of the matters we raise might have a slightly different shade to the reasons already offered by other members. Before I do that, I want to say some things to members of the Greens and the Labor Party. I want to ask them how critical their analysis of this proposed gold royalty increase was.

Hon Robin Chapple: Very.

Hon SIMON O'BRIEN: Was it? I am glad to hear it. What level of consultation have members opposite entered into? Have they sat down with goldminers?

Hon Darren West: As soon as the member sits down, I will tell him.

Hon SIMON O'BRIEN: If Hon Darren West thinks this is a joke, that is fine. If he wants to get up and speak when I sit down, we will all look forward to that.

I want to challenge members opposite to contemplate what is being proposed by the government that they support. I do not know how many of them might have ever been to Telfer. Have any members opposite been to Telfer?

Hon Alannah MacTiernan: Yes. I've been to Telfer many times.

The PRESIDENT: Order, members!

Hon SIMON O'BRIEN: One or two members have been to Telfer. In my discussions with people from Newcrest Mining, which currently runs that mining operation, they have told me that they have spoken to members from all sides. That surprised me because one thing that has been missing and has been conspicuously absent in this debate is parliamentary members of the Australian Labor Party. The Minister for Mines and Petroleum is nowhere to be seen—why not? Perhaps he feels a bit uncomfortable about what the Labor caucus, after the Labor cabinet, has decided to do. Presumably, he is not so upset about it that he is going to make it a matter of principle, but I reckon that he is getting let off pretty lightly.

Hon Darren West: Will Hon Simon O'Brien take an interjection?

Hon SIMON O'BRIEN: I am more than happy to take a sensible interjection, but I am concerned that that might disqualify the member.

Extract from *Hansard*

[COUNCIL — Tuesday, 10 October 2017]

p4214b-4225a

Hon Jacqui Boydell; Hon Martin Aldridge; President; Hon Aaron Stonehouse; Hon Robin Scott; Hon Simon O'Brien; Hon Rick Mazza; Hon Colin Tincknell

Hon Darren West: Hon Simon O'Brien mentioned Telfer. Is he aware that the CEO's salary, who operates that mine, is higher than the total royalty increase from his mine?

Hon SIMON O'BRIEN: Madam President, as we can see, I have been disappointed.

Several members interjected.

The PRESIDENT: Order! The member on his feet will direct his comments to me and not encourage audience participation or interaction. I think you might just focus your discussion on me. Thank you.

Hon SIMON O'BRIEN: Thank you, Madam President. I am asking members in a rhetorical sense to contemplate where they fit in the argument that I am about to raise. It is perfectly natural to ask members—rhetorically, and not inviting unruly interjection—whether they have heard of Telfer, whether they know where it is and whether they have been there.

Hon Alannah MacTiernan: I've visited there many times.

Hon SIMON O'BRIEN: Bully for you!

Hon Alannah MacTiernan: You asked!

Hon SIMON O'BRIEN: Bully for you!

Hon Alannah MacTiernan: You said you wanted to know. I can't mislead the Parliament, Madam President—I can't.

The PRESIDENT: All right, order! There is one speaker on his feet. He is going to address his comments to me. We have a long way to go on this disallowance. There will not be any further engagement or encouragement of interjections.

Hon SIMON O'BRIEN: Madam President, we have one very vocal member of cabinet and it is the cabinet that owns this decision by government that we are contemplating today. The member wants to be very vocal about claiming, "We know Telfer very well." What I have observed and what I am conveying to this place in the course of this debate is that I have not seen any members of the state Parliamentary Labor Party, apart from the Premier and the Treasurer, engage in this debate at all. I have not heard a whimper from any members of the Australian Labor Party—not one whimper of protest about how their constituents are proposed to be treated.

Hon Alannah MacTiernan: We support the legislation. Why would we protest?

Hon SIMON O'BRIEN: Of course, they have all lined up to support what they have been told to support in either cabinet or the caucus. We have people like the member for Kalgoorlie, who has the guts to stand up for the people in his community. Where are the Labor members standing up for their respective communities? They are completely missing in action.

Hon Sue Ellery: No-one is yelling at you. You do not need to yell back.

Hon SIMON O'BRIEN: Apparently, I do. You are trying to talk me down and talk over me. If that is what you are getting into the record, I can fire back louder than you can. That is what needs to happen.

Hon Sue Ellery: Big man!

Hon SIMON O'BRIEN: Do not try to play the sexist card. That is just a nonsense. You do not need to do it, using terms like, "Oh, big man!" or "Oh, tough man!" or whatever you said.

Hon Sue Ellery: Are you saying that you can yell louder than me?

The PRESIDENT: Members, this is not a yelling competition and it is not going to become a yelling competition. Hon Simon O'Brien is going to continue his remarks and people are going to listen to him.

Hon SIMON O'BRIEN: On the subject of Telfer, I am advised by people from Newcrest that they have been meeting with some Labor members. I do not know what goes on in those meetings but I wonder how much Labor members are prepared to admit they know about what happens out at Telfer. Are they aware of the nature of the operation? Are they prepared to acknowledge that they have been briefed—those who have at least met with Newcrest people—about the likely patterns of investment that are required to keep that operation going and what the prospects might be of those investments being made following the introduction and impact of this government's proposed increased tax? What are the consequences if unfortunate decisions have to be made by this relatively marginal gold operation? What will the prospects be for its 1 550 workers and all the others who rely on them? I was particularly taken by the arguments advanced to me by Mr Ben Bryant from Newcrest. Ben has possibly met with some members here and already acquainted them with these facts. One thing that particularly struck me was the news about how the operation engages with the local traditional owners, the Martu people.

Hon Jacqui Boydell; Hon Martin Aldridge; President; Hon Aaron Stonehouse; Hon Robin Scott; Hon Simon O'Brien; Hon Rick Mazza; Hon Colin Tincknell

Hon Robin Chapple: It is pronounced Martu.

Hon SIMON O'BRIEN: I understand that it is pronounced with a 'd' even though it is spelt M-A-R-T-U.

I understand that back in 2003, native title over 136 000 square kilometres was awarded to the Martu, but a community program has been going on at Telfer since a little bit before that. Indeed, I am advised that in 2015, Newcrest entered into a land use agreement guaranteeing the Martu people \$18 million over five years. I understand that the money will be delivered regardless. At the same time, the community's reliance on the mine has been emphasised to me. As Ben has put to me, "We are talking about teachers, community coordinators and police in Martu communities who cannot get on our flights and use our accommodation if Newcrest leave town. What will happen with vehicles that break down if we are not here to fix them? There will be the removal of one of the region's medical hubs and a drastic reduction in the amount of fresh fruit and vegetables delivered to those communities." That is not a threat; that is the reality. If the operation closed, all the benefits currently flowing could not happen. I wonder whether Labor members—cabinet members or caucus members—made themselves aware of that sort of information and that dimension of the argument and whether they place any weight on it at all. It appears that this government, which must be aware of this information, has made a deliberate decision to say, "No, that's an inconvenient matter of information. Let's ignore it." I think it would be a great pity if that were to be ignored.

Hon Colin Tincknell: There are 11 communities. Telfer is the government in that area.

Hon SIMON O'BRIEN: I thank the member for supporting the argument that I am putting, because I am trying to put a human face on all of this. As I approach things in good faith, and I have on this matter as I have on others, I am sick of being lectured by people who just want to use their media people to make an announcement, just a few hours after we had had a party room meeting this morning, headed "Liberals cement their place as Budget wreckers". When was this media release in Ben Wyatt's name produced—a week ago? It has been sitting there, one or the other, just waiting to go out. Is that how cynical we are? Is that what we have come to? Apparently, we are. I just want to point out that we are talking about the future of real people who live in my community and in other members' communities. Members ought to think about that before they decide to throw them under the bus. Several members interjected.

Hon SIMON O'BRIEN: We have worked out that some members opposite might be giving it a little bit of thought and have consciously got their eyes down so as not to meet mine, and one or two have said by interjection that they don't give a rat's. That is basically what I am getting from some of the interjections. My colleagues and I care about these matters and we want to make sure that jobs are protected and that the benefits that go with jobs also are protected. I will use Telfer as one glaring example of the sort of thing that this government might be wanting to throw away. I remind members that Premier McGowan, when he was in opposition and entering an election campaign, promised that there would be no new taxes or increases to taxes or royalties. That is what he said. We all know it. He has quite arrogantly broken this promise, and so my colleagues and I in the Liberal Party make no apologies for endeavouring, through our approach on this matter, to hold this government to account. In 2015, Mr McGowan committed to block in the upper house any gazetted increase in the gold royalty. That is what he said. He is not even a member of this place, but he has some controls here. His pledge in 2015 was that if the then government brought in a royalty increase, just like this one, Labor would block it in the upper house. The reason he said that is that it would hurt jobs and the economy. This sort of backflip is the worst kind of hypocrisy and it demonstrates that this Premier cannot be trusted. This is about jobs. Jobs will be lost and new jobs will be forgone. The Premier has come out in an extraordinary example of leading with his chin and said, "I doubt if one job will be lost through this measure." I wonder whether that one job or more has not already been lost as companies quite prudently contemplate what might be in force from 1 January and are cutting their cloth accordingly. That is another reason that we want to move to resolve this matter as soon as possible.

Hon Aaron Stonehouse: It is hard to measure mines that never open.

Hon SIMON O'BRIEN: Indeed. It is not only jobs that might be lost now, but also jobs that might be forgone in the future, and that has an extraordinary ripple effect as we add on all the contractors and others.

If we examine the undertakings of the now Premier further, we find that he has been arguing that this measure is about budget repair—whatever that means. The truth is that this is not about so-called budget repair. If this government was dinkum about budget repair, it would not be increasing the deficit, it would have regard for reducing overall expenditure, it would not make election undertakings of \$5.5 billion in new expenditure and then obstinately press on with them, and it would not use public funds as some sort of slush fund for Labor members to honour their election promises. It is not about paying down debt; everyone knows that. Even the government does not claim that it is about paying down debt. I would go further beyond saying that I do not think this is about budget repair and it is not a budget repair measure. This is a tax-and-spend action by a government that is trying to provide a slush fund for its own purposes, and it is doing that with a flagrant disregard for the interests of

Hon Jacqui Boydell; Hon Martin Aldridge; President; Hon Aaron Stonehouse; Hon Robin Scott; Hon Simon O'Brien; Hon Rick Mazza; Hon Colin Tincknell

Western Australians, whether they are immediately or distantly connected with the goldmining industry or, indeed, are only peripherally interconnected.

We know what the Labor Party used to say when in opposition. Yes, I remind the house of that drunken sailor cliché. Now that the budget has finally been handed down, we have found that the McGowan government has failed to restrain its own spending, not the former government's—its own spending. It is using this cockamamie excuse that somehow it is up to the Liberal Party or the National Party to run its affairs for it or, if things go wrong, it is somehow still our fault. I reject that absolutely and I think members from all sides need to understand that there is a need to view critically the sort of hyperbole that goes with a debate such as this.

Quite frankly, this gold tax will have no material benefit for the deficit or the debt. It is an absolute fraud to suggest otherwise and it is similarly a fraud to say the things that the government has been saying. Debt has already substantially increased and is increasing under the McGowan government. Now it is the government's intention to inflict about \$100 million a year in additional costs on WA businesses, with around 60 per cent of that being given away to the eastern states through the GST system.

My attention was drawn to a rather unfortunate interview that the then Leader of the Opposition, Mr McGowan, had when he was in Kalgoorlie and talking things up for the Labor Party. Boy, I bet he wishes he had not made those particular comments and those particular undertakings when he was specifically asked what he would do and what would happen in a few years with either a current or future government. His response was to say —

We're not going to do it.

And he repeated it —

We're not going to do it. Labor has a very strong connection to Kalgoorlie and whilst we might be down at the moment we plan on coming back here and providing a healthy employment oriented gold industry is very important for the future of the state, and secondly, as I said, for every dollar of royalty you get you lose ninety cents of GST so it's a waste of time putting up the royalty.

That is what Mark McGowan said back in October 2015. What is he saying now? He is saying precisely the opposite and that it does not matter. He is a phoney and a fraud in his remarks. I think as soon as the people in this place wake up to that, the better. I do not know what happens behind closed doors in the Labor Party caucus. God help us.

Hon Martin Aldridge: We have had a few photos.

Hon SIMON O'BRIEN: I have not received those. I wonder what representations have been made at the cabinet table to say, "Hang on, Mark, you promised on our behalf specifically that you would not take this measure." Even the quantum of the increase was emphatically rejected. "You were the one who said on all our behalf, only six months out from the election, that there would be no increases in taxes or royalties and all the other promises."

Hon Peter Collier: He said it in February.

Hon SIMON O'BRIEN: As recently as February, he said it again. He was the one who said that if we increase the gold royalty, we lose GST. He said then that for every dollar we get in gold royalty, we lose 90 cents in GST. I am not quite sure how that was calculated, but that is what he said. He said that it is a pretty counterproductive way of trying to raise revenue. He was happy to get out there and truck all those arguments that the rest of us had already recognised. Perhaps Labor members and candidates thought: what good leadership we are getting here. When he came back and said, "No, it is all porkies we will do a complete backflip, we are going to abandon the prospectors whether they are at Telfer or in the Martu country or anywhere else", did anyone say, "Hang on, Mark, that's dishonest. That's not what you should do. This is going to destroy our credibility"? Was there anyone at all? We do not know because they did not provide it and they have not come out the other side.

I wonder what happened in the caucus room. Was there no Kyran O'Donnell equivalent in the Labor Party who is prepared to say, "Hang on, this is not right by my electorate and I'm not going to let you go on with it"? He did that in other forums. He had real guts. He nailed his colours to the mast and he should be considered a hero in the Kalgoorlie electorate, because we think he is a hero. We admire his guts and the way he went about it. I would like to say the same for just one member of the Australian Labor Party, but I have not heard a peep out of any of them. It has plenty of members with electorates with goldmines. It has plenty of members in the city; jeez, I probably have more people working in the goldmining industries than half the members in the regions—they and their families. Nonetheless, I am very disappointed that the Labor Party could not produce one champion for the working men and women of this state.

I know people want to proceed with resolving this matter. I want to indicate the Liberal Party's appreciation for the message that has come out late today from WA goldminers saying that they appreciate the fact that a number of people in this house—they have named the various interested parties—are prepared to stand up for them by

Extract from Hansard

[COUNCIL — Tuesday, 10 October 2017]

p4214b-4225a

Hon Jacqui Boydell; Hon Martin Aldridge; President; Hon Aaron Stonehouse; Hon Robin Scott; Hon Simon O'Brien; Hon Rick Mazza; Hon Colin Tincknell

recognising that we are defending individual people, not some metal or bit of dirt. We are not prosecuting some form of petty class warfare. We are talking about building Western Australia. In a very real sense in a cathartic way, the Liberal Party has also benefited from this exercise, because it has made us have a good look at what our values really are. It has made us contemplate, in the wake of a big election defeat six months ago, the sorts of things that we need to do to reconnect with our community, the things that could be done better and the need to stand up for what we believe in and what we think is right, even though we are in a position in which we are damned if we do and damned if we do not. All the twittering from Ben Wyatt and others will be water off a duck's back for us because we know that we are doing the right thing, and that is why we are supporting this disallowance motion.

HON RICK MAZZA (Agricultural) [9.36 pm]: I rise to make a brief contribution on the disallowance motion moved by Hon Jacqui Boydell. It may not be as rousing as Hon Simon O'Brien's, but, in any case, my position on this disallowance motion will be on the record. With others, I listened with interest to the Irish President Michael Higgins this afternoon, in particular his comments about the influence of the Irish people on Western Australia and his reference to Paddy Hannan, who discovered gold at Kalgoorlie, and others like him. It came to mind the massive risk that people took in landing in Fremantle after that gold discovery and walking all the way with a wheelbarrow and their possessions in the effort to find gold. I think that spirit of risk continues in the goldfields to this very day. Even things such as building the Kalgoorlie pipeline was a massive risk at the time and, of course, we know what happened to poor old C.Y. O'Connor at the end of the day. There has been a spirit of risk out there and risks are constantly taken in exploration in the goldmining industry. Gold production is a very expensive exercise. There were a lot of comments about it being our gold in the ground and the miners take it out, but there is a lot of cost and effort and risk in extracting that gold out of the ground. As it has been explained to me, in every tonne of ore there may be only a few grains of gold. It is a very big undertaking. A lot of infrastructure has to be in place and the actual goldmining processing plant can handle only a limited amount of ore at any one time. It is called residence time when that ore goes onto the processing plant. If we put in more ore than that plant is built for, the gold simply is dumped as tailings and is lost. It is not as though the goldmining industry can say that it has this levy so it will increase production. It simply cannot do so without a massive investment in more infrastructure for their plants.

One of the main reasons I am supporting this disallowance motion, though, is that we are looking at putting a burden on our relatively marginal goldmining industry to raise \$392 million over four years. We know that in three or four years the vast majority of that will bleed out in a reduction in GST returns, so the vast majority of that money will go to finance Tasmania, South Australia, the Northern Territory and Queensland. We are putting a burden on our goldmining industry for little return. It has been estimated that it would put 3 000 jobs at risk. I do not think we should take that risk. Even today's paper mentioned that the overrun of the health budget each year is more than the government is saying would be raised from this royalty. A lot of risk is involved when we are going to lose most of this revenue to other states. It may be a short-term fix for a couple of years, but once the GST kicks in, we will certainly lose 60 per cent in GST returns.

Hon Simon O'Brien went on about the human face of all this and the people who are employed in the gold industry. In the Agricultural Region alone, the goldmining industry contributes \$115.2 million in salaries and wages, business purchases and other contributions to the community. That is a substantial amount. The goldmining industry supports 73 businesses in the Agricultural Region alone. An impact on the goldmining industry would certainly be very detrimental to one of our country regions. Part of that risk is the exploration effort. As it has been explained to me, it could take 10 years from discovery of gold to actual production. There is a 10-year lead-in time, and those mines then have a relatively short life of production before they need to move on. If there is not a lot of investment in the goldmining industry, it certainly will peter out over a relatively short period. Prior to the increased royalty indicated by the government in its budget, the Boddington goldmine had a very big investment by its United States parent company in doing what they call a layback on the mine to look for further production opportunities. It makes me wonder whether the US company would have invested in that mine had it known about this increase in the first place. We need that investment. As I said, it is quite marginal and risky to Western Australia overall. An amount of \$4.4 billion is spent in this state due to the goldmining industry and 3 549 businesses are supported. It is a very important industry. As I said, my major concern is the loss of a lot of that revenue to GST returns. If the estimated 3 000 jobs that are at risk are lost, obviously payroll tax returns will go down because most of these companies pay payroll tax. The \$ 392 million we are talking about will be further contracted by the time the state government loses out on payroll tax. I will support the disallowance motion and I look forward to other contributions.

HON COLIN TINCKNELL (South West) [9.41 pm]: I will summarise a few points concerning this gold royalty increase. First, it is an ill-conceived increase. We know that consultation before the budget was minimal, if any, so consultation with stakeholders did not happen, although there may have been some consultation after it was announced. There has been very limited notice of its commencement. Sixty per cent of the royalty revenue will be

Extract from *Hansard*

[COUNCIL — Tuesday, 10 October 2017]

p4214b-4225a

Hon Jacqui Boydell; Hon Martin Aldridge; President; Hon Aaron Stonehouse; Hon Robin Scott; Hon Simon O'Brien; Hon Rick Mazza; Hon Colin Tincknell

lost in GST redistributions. It raises sovereign risk concerns that could impact future investment. Not a lot has been said about that tonight but many miners have moved away from Africa and other places to come to a safe haven in Australia or Western Australia, and we will put those ventures at risk and that will cost those mines in the future. We could be talking about hundreds or thousands of jobs, and millions and millions of dollars in royalty and payroll tax will be lost due to an ill-conceived increase in the gold royalty. The proposal is poorly structured. It does not accommodate the near-term development of small producers. Hundreds of businesses rely on goldmines such as the Newcrest mine at Telfer staying open. Just the other day the Martu signed a contract in Telfer for \$18 million a year. That is just one contract for one company. It is a brand-new joint venture company, 50 per cent owned by Martu and 50 per cent owned by an earthmoving company. The elder concerned, Mr Milton Chapman, lives in Punmu community, 150 kays to the east of Telfer and that makes it 600 or 700 kays east of Marble Bar. This is the first business this gentleman has ever owned. The Telfer mine owner has been working with this gentleman in particular since 2003 to grow his capacity to become a director of a company. Newcrest has done that for many people over the years. Just to the south of that one mine, a very rough road goes to the Cotton Creek community, better known as Pargurr in Aboriginal language. That is about a 200-kay drive. The only organisation that grades that road is Newcrest. Other explorers have done it in the past. Since 2003, it has been the only route for teachers, students, sports teams, health professionals, fire and emergency services people, you name it—I could go on. Newcrest has been the government of the Western Desert for close to 40-odd years. It has become better and better at looking after the people in that area.

Debate adjourned, pursuant to standing orders.